

Message Text

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73

ORIGIN COME-00

INFO OCT-01 EUR-12 ISO-00 EB-07 TRSE-00 L-02 FTC-01

CIAE-00 DODE-00 INR-07 NSAE-00 PA-02 RSC-01 USIA-15

PRS-01 SP-02 /051 R

COMMERCE

DRAFTED BY COMMERCE:WHASENBERG

APPROVED BY EB/IFD/OIA:CNELLIS

COMMERCE/OTP/IND/CAN:MPRUIETT

EUR/CAN:DCHOLTON

COMMERCE:VTRAVAGLINI

TREASURY:RFAUVER

EB/IFD/OIA:WWITTING

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R 272306Z DEC 74

FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA

AMCONSUL TORONTO

UNCLAS STATE 282801

E.O. 11652:N/A

TAGS: EINV,CA

SUBJECT: IU INTERNATIONAL CORP VOTING FOR NON-U.S.

CITIZEN SHAREHOLDERS

REF: HASENBERG/MELLOR TELCON 12/20

1. SUMMARY: COMMERCE HAS BEEN CONTACTED FOR FACTUAL INFORMATION BY CANADIAN EMBASSY (MARY FREEMAN) AND FIRA (RICHARD

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LOOSMORE) IN CONNECTION ARTICLE IN TORONTO STAR DECEMBER 12
REPORTEDLY STATING THAT IU INTERNATIONAL HAS ADVISED ITS
CANADIAN SHAREHOLDERS THAT THEIR VOTING RIGHTS HAD BEEN

ABRIDGED BY U.S. LEGISLATION COVERING DEFENSE-SENSITIVE INDUSTRIES. FACTUAL INFORMATION OBTAINED FROM IU BY COMMERCE INDICATES RECENT CHANGE IN BYLAWS LIMITS VOTES OF NON-AMERCIT SHAREHOLDERS TO TWENTY-FIVE PERCENT, TO FACILITATE COMPLIANCE WITH FEDERAL LAWS AFFECTING SOME REGULATED INDUSTRIES. IU BELIEVES THAT CHANGE IN BYLAWS WILL HAVE LITTLE PRACTICAL EFFECT. END SUMMARY

2. INVESTMENT POLICY DIVISION OIFI/IEPR/DIBA IN COMMERCE CONTACTED SEPARATELY BY LOOSMORE (12/13) AND FREEMAN (12/16) FOR FACTS ON IU SITUATION FOR EVENTUALITY OF GILLESPIE QUESTIONING IN COMMONS ON TORONTO STAR STORY.

3. CONTACTS WITH IU VP/TREASURER KENNETH TRIPPE (215)

985-6938 AND CHAIRMAN OF EXECUTIVE COMMITTEE JOHN T. JACKSON DISCLOSED THAT IU IN THIRD QUARTER REPORT INFORMED ALL SHAREHOLDERS OF OCTOBER 18 ADOPTION OF BYLAW, WHICH "LIMITS THE VOTES WHICH MAY BE CAST BY NON-CITIZENS OF THE UNITED STATES AT ANY MEETING OF SHAREHOLDERS TO 25 PERCENT OF THE TOTAL VOTES ELIGIBLE TO BE CAST. IT PROVIDES FOR THE PROPORTIONATE REDUCTION OF THE VOTE OF NON-CITIZENS OF THE U.S. IN THE EVENT THAT THEY WOULD BE ABLE TO CAST MORE THAN 25 PERCENT OF THE TOTAL VOTES." IU EXPLAINS FURTHER THAT "MEASURE NECESSARY TO ASSURE COMPLIANCE WITH CITIZENSHIP REQUIREMENTS OF SUCH U.S. REGULATIONS AS FEDERAL MARITIME ACT, FEDERAL COMMUNICATIONS ACT, AND FEDERAL AVIATION ACT." IN LIGHT OF LOW PARTICIPATION RATE BY NON-U.S. SHAREHOLDERS IN VOTING IU SHARES, MANAGEMENT DOES "NOT BELIEVE THAT CHANGE IN BYLAW WILL HAVE ANY PRACTICAL EFFECT BEYOND MAKING IT EASIER TO PROVE CONTINUING COMPLIANCE WITH U.S. STATUTES."

4. JACKSON ALSO MENTIONED THAT BEFORE BYLAW CHANGE, LAWYERS FOR IU APPROACHED BOTH TORONTO STOCK EXCHANGE AND ONTARIO SEC, WITHOUT NAME ATTRIBUTION, FOR REACTION TO PROPOSED STEP, APPARENTLY WITHOUT GETTING ANY OBJECTIONS.

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5. FREEMAN CALLED AGAIN ON THURSDAY (12/19) AND WAS GIVEN RELEVANT PORTION IU REPORT FOR VERBATIM QUOTATION IN CABLE TO OTTAWA. APPARENTLY STORY HAD BEEN PICKED UP ELSEWHERE IN THE CANADIAN PRESS. CONSEQUENTLY, WE FELT EMBASSY AND CONSULATES SHOULD HAVE ABOVE FACTS AVAILABLE FOR THEIR INFORMATION TO PROTECT GENERAL CLIMATE U.S. INVESTMENT IN CANADA. BROWN

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Disposition Remarks:
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